



STATE OF CALIFORNIA  
FRANCHISE TAX BOARD

## FTB Publication 1025

# Child and Dependent Care Expenses Credit: Do I Qualify?



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## Important Changes

New for tax year 2001 is form FTB 3506, Child and Dependent Care Expenses Credit. Federal Form 2441 or Schedule 2 can no longer be used to claim this credit.

## Introduction

California's refundable child and dependent care expenses credit began with tax year 2000.

You may be able to claim the credit if you pay someone to care for your dependent who is under age 13, or for your spouse or dependent who is not able to care for himself or herself. To qualify, you must pay these expenses so you can work or look for work. Not everyone who pays for child or dependent care expenses qualifies for this credit. This publication will help you determine if you qualify.

## California and Federal Differences

The California credit differences are:

- The California credit is a percentage of the federal credit. The percentage ranges from 0% to 63% of the federal credit depending on your income. If you qualify, you can claim the California credit even if you did not file a federal return.
- Your California adjusted gross income must be \$100,000 or less.
- You must maintain your main home in California for at least part of the year to qualify for the credit. Thus, full-year nonresidents generally will not qualify for the credit.
- The California credit is refundable.

## Avoid common errors that delay refunds

Avoid the following errors that can delay your refund or cause your credit to be disallowed:

- An incomplete, incorrect, or missing form FTB 3506.
- Using federal Form 2441 (or Schedule 2) to compute the credit rather than California form FTB 3506.
- Missing or incorrectly entered social security numbers for your qualifying persons. Please copy the social security numbers directly from the social security cards to the form and to your return.
- If you and your child's other parent file separate returns, both parents cannot claim the credit using the same child as the qualifying person. Even if both parents pay for care for this child in order to work, both parents cannot qualify for the credit. See *Which parent can claim the child as the qualifying person?* on page 3.

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## Do I qualify for the credit?

Answer the following questions to see if you can claim the credit. If you need help answering any questions, see *Where do I get more information?* on the last page.

### Qualifying Person

- 1 Was the care for one or more of the following:
  - Your dependent who was under the age of 13 when the care was provided? You must be able to claim the dependent exemption for this person.
  - Your dependent who was physically or mentally incapable of self-care? You must be able to claim the dependent exemption for this person (or you could have claimed the dependent exemption except the person had gross income of \$2,900 or more).
  - Your spouse who was physically or mentally incapable of self-care?
    - ☐ **Yes.** If you can answer yes to any of the three situations described above, go to question 2.
    - ☐ **No.** STOP. You do not qualify for this credit.

**Important:** If you are divorced or separated - See *Which parent can claim the child as the qualifying person?* on page 3.
- 2 Was your qualifying person your foster child?
  - ☐ **Yes.** Go to question 3.
  - ☐ **No.** Go to question 5.
- 3 Did you receive foster parent payments from a government or tax-exempt child placement agency?
  - ☐ **Yes.** STOP. You do not qualify for this credit.
  - ☐ **No.** Go to question 4.
- 4 Did your foster child live with you the entire year?
  - ☐ **Yes.** Go to question 5.
  - ☐ **No.** STOP. You do not qualify for this credit. Your foster child must live with you the entire year to be your dependent.

### California Adjusted Gross Income \$100,000 or Less

- 5 Is your California adjusted gross income (Form 540A, line 14; Form 540, line 17; or Form 540NR, line 20) \$100,000 or less?
  - ☐ **Yes.** Go to question 6.
  - ☐ **No.** STOP. You do not qualify for this credit.

### Keeping Up a Home in California

- 6 Did you (and your spouse if you were married) pay over half the cost of keeping up the home in which you **and** your qualifying person lived?

**Caution:** Payments you receive from public assistance (such as Temporary Assistance for Needy Families) that you use to keep up your home are funds provided by the state, not by you.

You must provide more than half the cost of keeping up your home **from your own funds** to qualify for this credit.

- ☐ **Yes.** Go to question 7.
  - ☐ **No.** STOP. You do not qualify for this credit.
- 7 Was this home in California?
    - ☐ **Yes.** Go to question 8.
    - ☐ **No.** STOP. You do not qualify for this credit.
  - 8 Was this California home the main home for you and your qualifying persons?

**Caution:** If you are a full-year nonresident of California and you retained your main home in your state of residency, you do not qualify for this credit.

    - ☐ **Yes.** Go to question 9.
    - ☐ **No.** STOP. You do not qualify for this credit.

### Earned Income

- 9 Did you have earned income during the year? Earned income is wages, salaries, tips and other employee compensation and net income from self-employment.
  - ☐ **Yes.** If married, go to question 10. Otherwise, go to question 12.
  - ☐ **No.** STOP. You do not qualify for this credit.
- 10 Did your spouse have earned income during the year?
  - ☐ **Yes.** Go to question 12.
  - ☐ **No.** Go to question 11.
- 11 Was your spouse disabled or a full-time student?
  - ☐ **Yes.** Go to question 12.
  - ☐ **No.** STOP. You do not qualify for this credit.

### Work-Related Care Expenses

- 12 Did you pay child or dependent care expenses that allowed you to work or look for work? If married, this also applies to your spouse, unless your spouse was disabled or a full-time student.
  - ☐ **Yes.** Go to question 13.
  - ☐ **No.** STOP. You do not qualify for this credit.

### Payment to Relatives

- 13 Was your spouse the care provider?
  - ☐ **Yes.** STOP. You do not qualify for this credit.
  - ☐ **No.** Go to question 14.
- 14 Was the care provider someone you (or your spouse, if married) could claim as a dependent?
  - ☐ **Yes.** STOP. You do not qualify for this credit.
  - ☐ **No.** Go to question 15.
- 15 Was the care provider your child who was under the age of 19 at the end of the year?
  - ☐ **Yes.** STOP. You do not qualify for this credit.
  - ☐ **No.** Go to question 16.

## Joint Return

- 16 Were you single at the end of the year?
- ☐ **Yes.** Go to question 21.
  - ☐ **No.** Go to question 17.
- 17 Are you filing a joint California return?
- ☐ **Yes.** Go to question 21.
  - ☐ **No.** Go to question 18.

## Married Person Filing Separate

- 18 Was your home the main home of a qualifying person for **more than half the year**?
- ☐ **Yes.** Go to question 19.
  - ☐ **No.** STOP. You do not qualify for this credit.
- 19 Did you pay more than half the cost of keeping up the home for more than half the year?
- ☐ **Yes.** Go to question 20.
  - ☐ **No.** STOP. You do not qualify for this credit.
- 20 Did your spouse live in your home **at any time** during the last 6 months of the year?
- ☐ **Yes.** STOP. You do not qualify for this credit.
  - ☐ **No.** Go to question 21.

## Care Provider identification

- 21 Do you know the care provider's name, address, phone number, and identifying number?
- ☐ **Yes.** Go to question 23.
  - ☐ **No.** Go to question 22.
- 22 Did you make a reasonable effort to get this information?
- ☐ **Yes.** Continue to question 23.
  - ☐ **No.** STOP. You do not qualify for this credit.

## Dependent Care Benefits

- 23 Did you exclude from income \$2,400 or more of dependent care benefits (\$4,800 if two or more qualifying persons)? If you received dependent care benefits, the amount will be shown on Form W-2, box 10. (The amount excluded from income can be computed on form FTB 3506, Part V.)
- ☐ **Yes.** STOP. You do not qualify for this credit.
  - ☐ **No.** You can claim the child and dependent care credit. Complete form FTB 3506, Child and Dependent Care Expenses Credit to compute the amount of your credit.

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## Which parent can claim the child as the qualifying person?

The child can **only** be the qualifying person of one parent when the parents are filing separate returns. So

even if both parents pay for child care for the same child, both parents will **not** qualify for the credit. Use the information in this part to determine if you can claim the child as the qualifying person.

## Divorced or Separated from the Child's Other Parent

For purposes of determining whether your child is your qualifying person, you are considered divorced or separated if **either** of the following applies:

- You are divorced or separated under a decree of divorce, decree of separate maintenance, judgment of legal separation, or decree of separation; or
- You lived apart from your spouse for the entire last 6 months of the year.

If you and the child's other parent were never married, see *Never Married to the Child's Other Parent* on this page.

**Custodial Parent** – If you are the custodial parent and can claim the dependent exemption credit for your child, the child is your qualifying person. You are the custodial parent if you had physical custody of your child longer than your child's other parent during the calendar year.

If you cannot claim the dependent exemption credit for your child, you can still treat your child as your qualifying person if **all** of the following apply:

1. One or both parents had custody of the child for more than half the year.
2. One or both parents provided more than half the child's support for the year.
3. Either:
  - a. You stated in writing that the noncustodial parent may claim the dependent exemption that you were entitled to; or
  - b. The noncustodial parent provided at least \$600 of support for the child and claimed the dependent exemption credit for the child under a pre-1985 written agreement.

**Noncustodial Parent** – If you are the noncustodial parent, the child cannot be your qualifying person. The child is not your qualifying person even if you are able to claim the dependent exemption credit.

## Never Married to the Child's Other Parent

For your child to be your qualifying person, you must be able to claim the dependent exemption for that child. This includes the requirement that you provided more than half of the child's total support for the calendar year. To decide if you provided more than half the support, the amount you provided for the child's support must be compared to the entire amount of support the child received from all sources. All sources include (but are not limited to) the amount provided by others such as

the other parent, other members living in the home, or spent from the child's own funds, and food stamps and Temporary Assistance for Needy Families provided by the state.

## Married Person Filing Separate

Generally, you and your spouse must file a joint return in order to claim this credit.

**Exception:** You can file a separate return and claim the credit if you meet all the other requirements for claiming the credit and **all** of the following apply:

1. Your qualifying person lived in your home for more than half the year.
2. You paid more than half the cost of keeping up the home for the year.
3. Your spouse did not live in your home **at any time** during the last 6 months of the year.
4. You can claim the dependent exemption credit for your qualifying person.

You can still meet this requirement if you cannot claim your child as your dependent only because:

- a. You stated in writing that your spouse may claim the dependent exemption that you were entitled to; or
- b. Your spouse provided at least \$600 of support for the child and claimed the dependent exemption credit for the child under a pre-1985 written agreement.

If you did not meet the exception, you cannot claim the credit unless you and your spouse file a joint return.

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## Related Forms and Publications

**California Form FTB 3506, *Child and Dependent Care Expenses Credit*:** Use this form and instructions to claim your California credit.

**Federal Publication 503, *Child and Dependent Care Expenses*:** This publication explains the requirements for claiming the credit for child and dependent care expenses.

**Federal Form 2441, *Child and Dependent Care Expenses*:** Use this form and instructions to claim the federal credit. Do not use this form to claim your California credit.

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## Where Do I Get More Information?

**CALIFORNIA:** You can get California forms and information from:

### Internet

You can get information about your state income tax from our Website: **[www.ftb.ca.gov](http://www.ftb.ca.gov)**

### Telephone

Telephone assistance is available from 7 a.m. until 8 p.m. Monday through Friday and from 8 a.m. until 5 p.m. on Saturdays. We may modify these hours without notice to meet operational needs.

From within the U.S.: . . . . . (800) 852-5711

From outside the U.S.: . . . . . (916) 845-6500  
(not toll-free)

**Assistance for persons with disabilities:** We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments may call, from voice phone, (800) 735-2922, or from TTY/TDD, (800) 822-6268. For all other assistance, please call (800) 852-5711.

**Asistencia para personas discapacitadas.** Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos pueden llamar al TTY/TDD (800) 822-6268; personas con problemas de habla, puede llamar al teléfono (800) 735-2922. Para toda otra clase de asistencia, puede llamar al número telefónico (800) 852-5711.

### Mail

You can also order these forms by writing to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

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